May 18, 2018

Trustee
Harold B. Murphy
Murphy & King
Professional Corporation, One Beacon Street
Boston, MA 02108

Office of the United States Trustee
John Fitzgerald
The Office of the United States Trustee
5 Post Office Square
Boston, MA 02109

Counsel for Buyer
Douglas Gooding
Choate Hall & Stewart LLP
2 International Place
Boston, MA 02110

Counsel to the Lender
Daniel Cohn
Murtha Cullina, LLP
99 High Street
Boston, MA 02110

Michael L. Bernstein
Arnold & Porter
601 Massachusetts Ave NW
Washington, D.C. 20001

Re: **Entireties Bid** ("Competing Bid") for the Purchase of the Assets of New England Confectionery Company, Inc. ("NECCO")

Dear Gentlemen:

Spangler Candy Company ("Spangler") is pleased to submit this Competing Bid for the purchase of the assets of NECCO.

We consider our Competing Bid to be a great opportunity to combine NECCO brands and product lines with Spangler's existing confection business. Founded in 1906, Spangler will leverage its strengths in candy production and stellar reputation within the industry and among consumers to further develop key NECCO brands and products and to realize maximum value for assets that will be sold to third parties.

Spangler Background and Relevant Experience

Spangler is a privately-held, family owned U.S. confectionery manufacturer headquartered in Bryan, Ohio. Founded in 1906 by my great grandfather, we are one of the largest lollipop producers in the world and the only major candy cane producer in the U.S. Our iconic brands include Dum Dums®, Saf-T-Pops®, Circus Peanuts and Spangler® Candy Canes; our brands are loved and trusted by generations of families and are fun threads of the American cultural fabric.

Our state-of-the-art manufacturing facility in Bryan comprises over 500,000 square feet and employs approximately 500 people, over 100 of whom have worked at our factory for more than 25 years. We also operate a co-manufacturing facility in Juarez, Mexico that employs 230 people. We manufacture 12 million Dum Dums®, 2.7 million Candy Canes and over 500,000 Saf-T-Pops® per day.

Spangler distributes its products nationally through grocery, drug, mass market, club stores, dollar stores and candy wholesalers. Our products are also sold internationally through export brokers.

<u>The Competing Bid</u>

We offer meaningful value to Sellers resulting from our proposed purchase of Purchased Assets of NECCO as described in our Asset Purchase Agreement consisting of the following components:

- Cash at closing of $14,500,000 (subject to certain adjustments as described in the Asset Purchase Agreement)

- Sharing of Proceeds on sale of Purchased Assets:

  Spangler will share a portion of the proceeds from the liquidation of the majority of assets with Sellers according to the following schedule

  (a) All aggregate Net Proceeds greater than $13,296,900.18 but less than or equal to $18,750,000 shall be paid (i) 70% to Seller and (ii) 30% to Spangler;

  (b) All aggregate Net Proceeds greater than $18,750,000 but less than or equal to $22,250,000 shall be paid (i) 65% to Seller and (ii) 35% to Spangler; and

  (c) All aggregate Net Proceeds greater than $22,250,000 shall be paid (i) 60% to Seller and (ii) 40% to Spangler.

- Sharing of Proceeds on sale of New Inventory to be Produced in NECCO Facility

  Spangler will also share 30% of the Adjusted Net Proceeds with Seller from the sale of NECCO inventory produced during the Transition Period as described in the Transition Services Agreement.

Other terms of our Competing Bid are contained within our submitted executed Asset Purchase Agreement and Transition Services Agreement that have been filed with the Bankruptcy Court.

<u>Benefits of Spangler's Bid</u>

We believe our Competing Bid offers superior value to Seller for the following reasons, among others:

a. **Higher cash at Closing:** Spangler's Competing Bid represents at least $603,100 in additional cash at Closing to Seller.

b. **Lower threshold at which to share aggregate Net Proceeds**

c. **Ability to realize higher value on sale of Purchased Assets:** We plan to leverage and combine our extensive experience in the candy industry and strong customer and manufacturing relationships with the credentials of an experienced firm in asset sales to drive value in the sale of Purchased Assets.

a. **Ability to generate higher sales of New Inventory during the Transition Period:** As an experienced long-time confection manufacturer we believe we can run production in the NECCO facility over a longer number of weeks and with greater efficiencies than non-confection bidders. We also believe we have an opportunity to bag (in our facilities) and sell product beyond the Transition Period which will continue to generate Adjusted Net Proceeds. We also believe New Inventory can be sold at higher prices, resulting in higher Adjusted Net Proceeds due to our ability to stand behind product for customers many of whom are shared between NECCO and Spangler.

In addition we welcome an opportunity to interview interested NECCO employees for openings in our Bryan, Ohio candy factory.

Form of Consideration & Financing

Spangler plans to finance the purchase with all cash using our capacity available under existing debt facilities.

Key Points of Contact

If you require any additional information from us with respect to this Competing Bid, please do not hesitate to contact us.

Spangler's primary contact person is Bill Martin, President. We have also engaged our outside legal counsel, McDonald Hopkins LLC (David Agay; dagay@mcdonaldhopkins.com; phone (312) 642-2217), in connection with this Competing Bid.

We appreciate the opportunity to make this Competing Bid and look forward to receiving your response.

Sincerely,

SPANGLER CANDY COMPANY

By: ______________________
Kirkland B. Vashaw
Chairman and CEO
4th Generation Spangler